

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0863-01
Bill No.: HB 158
Subject: Cities, Towns and Villages; Counties; Economic Development; Economic
Development Department; Museums; Taxation and Revenue - Property
Type: Original
Date: February 4, 2013

Bill Summary: This proposal modifies provisions of law relating to tax increment
financing and museum districts in natural disaster areas.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Missouri Supplemental Disaster Recovery	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

*Transfers In and Out of Missouri Supplemental Disaster Recovery Fund will net to zero

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government*	\$0	\$0	\$0

* Revenues and Expenditures net to zero for Local Government Funds

FISCAL ANALYSIS

ASSUMPTION

§§ 99.805, 99.810, 99.835, 99.845, and 99.865 - Tax Increment Financing in areas affected by Natural Disasters

Officials at the **Department of Economic Development - Division of Business and Community Services (DED)** assume this proposal revises the Tax Increment Financing (TIF) Program under Section 99.805, RSMo, to allow projects in disaster areas located in a municipality for which public and individual assistance has been requested by the President and for which the municipality has adopted an ordinance approving the redevelopment plan within three years after the natural disaster occurred and the President's declaration.

DED assumes monies for businesses located in the disaster project area and designated to receive tax revenues will be deposited into a fund known as the Missouri Supplemental Disaster Recovery Fund, to be administered by DED. A municipality located in the disaster area is required to submit a TIF application to be approved by the DED and Office of Administration (OA).

DED assumes if it is determined the municipality has met the requirements and conditions of the program and the designated tax revenues have been deposited, DED will disburse the funds to the municipality pursuant to state appropriations. The disbursement is based on a portion of the estimate of the incremental increase in the General Revenue portion of state sales tax revenues in the redevelopment area, and a portion of the estimate of the state withholding tax by the employer on behalf of employees within the redevelopment area.

DED assumes it may request an appropriation from additional state revenues to the Disaster Recovery Fund. The duration of redevelopment plans receiving state disaster recovery revenues is 23 years from the date the ordinance was approved. The proposal also adds an emergency clause under Section B.

DED assumes this program would be subject to appropriation and is discretionary. Projects must demonstrate a net positive economic benefit; therefore, DED assumes an unknown positive impact over \$100,000. No FTE are being requested at this time; however, if DED determines that additional FTE are needed to administer the modifications to the program, they will be requested through the normal budgeting process.

ASSUMPTION (continued)

Oversight notes that this proposal would authorize incremental sales tax revenues from projects in a disaster area to be deposited into the Missouri Supplemental Disaster Recovery Fund that is created in the proposal.

Oversight will reflect the potential loss of the incremental increase in sales and income tax revenues transferred out to the Missouri Supplemental Disaster Recovery Fund.

Oversight has no way to calculate the current incremental sales tax revenues but assumes the Department of Economic Development and Department of Revenue could reasonably estimate the impact of this proposal resulting in no direct fiscal impact or an unknown cost to the General Revenue fund.

Oversight assumes revenues from the incremental sales tax will equal expenditures from the Missouri Supplemental Disaster Recovery Fund.

Oversight assumes expenditures from the Missouri Supplemental Disaster Recovery Fund will be transferred to local municipalities who will then use the funds for project expenditures and development cost within the municipalities disaster zone tax district.

Officials at the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal revises the tax increment financing statutes to allow redevelopment plans and projects in certain disaster areas to qualify for financing.

BAP states the proposal establishes a new fund, known as the Missouri Supplemental Disaster Recovery Fund, to distribute state disaster recovery revenues to approved redevelopment plans or projects pursuant to state appropriation. State disaster recovery revenues consist of the incremental increase in the general revenue portion of state sales tax revenues within the approved redevelopment project area and the incremental increase in state withholding taxes within the approved redevelopment project area.

BAP states up to fifty percent of state disaster recovery revenues, along with any additional state revenues requested by the Department of Economic Development, may be deposited into the Missouri Supplemental Disaster Recovery Fund, for disbursement to municipalities for approved redevelopment projects. These provisions will have an unknown impact to General Revenue. The proposal may encourage economic recovery in disaster-stricken areas, but BAP does not have data to estimate the induced activity.

ASSUMPTION (continued)

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.840, 184.845, 184.847, 184.850, and 184.865 - Museum Districts in Natural Disaster Areas

BAP assumes this proposal also modifies the existing Missouri Museum District Act to permit only qualifying disaster areas to establish a Museum and Cultural District. This district is authorized to implement a local sales tax up to one percent; however, the Department of Revenue is not involved in administering the tax. Therefore, there is no impact to general revenue or TSR.

BAP states section 184.840, RSMo, allows General Revenue appropriations for the district. There is not an existing appropriation for this purpose in the FY13 budget but there was an appropriation in a prior fiscal year (FY99) to the American National Fish and Wildlife Museum District.

BAP assumes this proposal should not result in any additional costs or savings to BAP.

Officials at the **City of Kansas City (KC)** assume limiting museum districts to places where the majority of property has been declared a disaster area will impair the city's ability to form museum districts and impose a museum district sales tax if the city would choose to do so.

KC assumes that loss of revenue might be one the city would be called upon to fill, though not obligated to do so.

KC assumes no direct fiscal impact from this proposal

Oversight notes this proposal does not appear to limit the City of Kansas City's ability to form museum districts and impose a museum district sales tax but would permit a Museum District within a Natural Disaster area to be established.

Oversight assumes the Museum District sales tax would result in additional revenues and expenditures to local governments for the locally administered sales tax which would be collected and then disbursed to the museum district if the local government chooses to impose a museum and cultural district sales tax on all retail sales made in the district.

Officials from the **Missouri Tax Commission, Department of Natural Resources, Department of Revenue, State Treasurer's Office,** and the **City of Columbia** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
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GENERAL REVENUE FUND

§§ 99.805, 99.810, 99.835, 99.845, and 99.865

<u>Transfer Out</u> - to the Missouri Supplemental Disaster Recovery Fund - Incremental sales tax revenues	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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<u>Transfer Out</u> - to the Missouri Supplemental Disaster Recovery Fund Incremental state income tax revenues	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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MISSOURI SUPPLEMENTAL DISASTER RECOVERY FUND

§§ 99.805, 99.810, 99.835, 99.845, and 99.865

<u>Transfer In</u> - Incremental funds from General Revenue from projects created in disaster zones	Unknown	Unknown	Unknown
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<u>Transfer Out</u> - Municipalities with a redevelopment area in a disaster area	(Unknown)	(Unknown)	(Unknown)
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ESTIMATED NET EFFECT TO THE MISSOURI SUPPLEMENTAL DISASTER RECOVERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government FY 2014 FY 2015 FY 2016

LOCAL FUNDS

§§ 99.805, 99.810, 99.835, 99.845,
 99.865, 184.800, 184.805, 184.810,
 184.815, 184.820, 184.827, 184.830,
 184.840, 184.845, 184.847, 184.850, and
 184.865

<u>Revenue</u> - Museum District Sales Tax	Unknown	Unknown	Unknown
<u>Transfer In</u> - Sales Tax from DED	Unknown	Unknown	Unknown
Approved Projects in Disaster Zones			
<u>Cost</u> - Disaster Zone Development Cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON LOCAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would occur if the small business is in the redevelopment district.

FISCAL DESCRIPTION

§§ 99.805, 99.810, 99.835, 99.845, 99.865 - Tax Increment Financing in areas affected by Natural Disasters

This proposal modifies tax increment financing laws for areas where a majority of the property is located within an area affected by certain natural disasters. For a redevelopment plan to be eligible for the provisions of law regarding tax increment financing in disaster areas, the city, town, village, or county must approve the redevelopment plan within three years after the date the President of the United States declares the disaster.

This proposal allows a city, town, village, or county to adopt a redevelopment plan for the purpose of tax increment financing if a majority of the property in the redevelopment area includes a portion of the municipality directly affected by President's request for disaster assistance.

KB:LR:OD

FISCAL DESCRIPTION (continued)

This proposal allows a redevelopment area that contains a disaster area to include all or part of the taxing district's operating costs and debt service costs from the redevelopment project, in addition to the costs that current law allows other redevelopment projects to include.

Under this proposal, beginning December 1, 2012, the General Assembly may appropriate funds to the newly created Missouri Supplemental Disaster Recovery Fund for DED to provide to municipalities with approved redevelopment projects in disaster areas an amount up to fifty percent of the total of:

- 1) the increase in the amount of income tax employers withhold from all employees of businesses located in the project area; and
- 2) the incremental increase in the general revenue portion of state sales tax revenues.

Particular municipalities will also be allowed to receive additional amounts from this fund, if the amounts are requested by DED through appropriations.

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.840, 184.845, 184.847, 184.850, and 184.865 - Museum Districts in Natural Disaster Areas

This proposal expands the scope of museum districts to include buildings or areas used for promoting culture and the arts, including theater, music, entertainment, public places, libraries, and other public assets.

The proposal restricts the creation of museum and cultural districts under these provisions to situations where the majority of the property is located within a disaster area.

The proposal requires that petitions to create museum and cultural districts be filed within five years of the Presidential declaration establishing the disaster area.

The proposal permits the General Assembly to authorize appropriations from General Revenue to a district created under this proposal for a period of twenty years after January 1, 2013.

The proposal permits the museum district board to impose a sales tax and a fee of up to one dollar on any person or entity that offers or manages an event in the district and charges admission for the event with the approval of qualified voters. The district will not be required to contract only with a not-for-profit or governmental entity to operate and manage any museum or cultural asset in the district.

KB:LR:OD

FISCAL DESCRIPTION (continued)

This proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration -
 Division of Budget and Planning
Department of Natural Resources
State Treasurer's Office
Missouri Tax Commission
City of Kansas City



Ross Strobe
Acting Director
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